

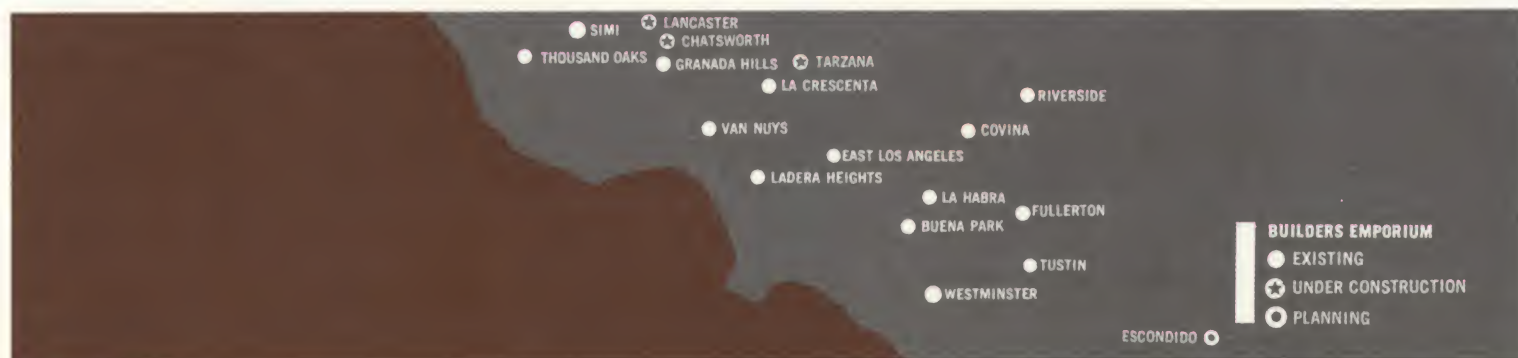




PRIVATE LABEL BRANDS AND PUBLIC IMAGE

Packaging your Company's image...Our provocative and imaginative packages enhance your Company's fine reputation for the highest quality at the lowest prices. These eye-catching, handsomely packaged products are an excellent and effective way to present your Company's image to millions of Southern California customers. We are constantly evaluating and improving our "house brands" to maintain our high standard of quality. Competitively priced, these quality brands create an immediate impact in the store and promote fast, favorable customer identification with all Food Giant, Builders Emporium and Unimart private label brands. The "house brand" loyalty shown by our customers is a clear indication of their reliance on our brands.





FOOD GIANT SERVES SOUTHERN CALIFORNIA



STATEMENT OF STOCKHOLDERS' EQUITY

FOOD GIANT MARKETS, INC. AND CONSOLIDATED SUBSIDIARIES—FISCAL YEAR ENDED JANUARY 29, 1967

	Preferred Stock	Common Stock	Additional Capital Paid in	Retained Earnings	Common Stock in Treasury	Total
Balance at beginning of year	\$3,811,310	\$3,311,576	\$20,255,800	\$10,709,334	(\$2,642,010)	\$35,446,010
Conversion of 46,382 shares of Preferred Stock into 34,784 shares of Common Stock	(463,820)	34,784	429,003			(33)
Issuance of 2,297 shares of Common Stock under stock option plan		2,297	28,453			30,750
Net income for the year				3,771,292		3,771,292
Cash dividends paid:						
Preferred Stock—\$.40 a share				(135,751)		(135,751)
Common Stock—\$.80 a share				(2,461,292)		(2,461,292)
Cost of 264,191 shares of Common Stock acquired for treasury					(2,038,158)	(2,038,158)
Balance at end of year	\$3,347,490	\$3,348,657	\$20,713,256	\$11,883,583	(\$4,680,168)	\$34,612,818

See notes to financial statements



STATEMENT OF CHANGES IN CONSOLIDATED WORKING CAPITAL

FOOD GIANT MARKETS, INC., AND CONSOLIDATED SUBSIDIARIES

	Fiscal Years Ended	
	January 29, 1967 (52 weeks)	January 30, 1966 (52 weeks)
WORKING CAPITAL AT BEGINNING OF YEAR	\$21,112,106	\$19,335,599
ADDITIONS:		
Net income	3,771,292	4,005,066
Provision for depreciation and amortization of property, plant, and equipment	2,859,408	3,038,761
Provision for deferred federal income taxes (deduction)	(24,811)	41,620
Proceeds from sale of Common Stock	30,750	
	<u>27,748,745</u>	<u>26,421,046</u>
DEDUCTIONS:		
Cash dividends paid	2,597,043	546,538
Net additions to property, plant, and equipment	1,747,390	2,199,319
Reduction in long-term debt	810,642	812,059
Increase in investments and other assets	206,951	1,298,413
Acquisition of treasury stock	2,038,158	452,611
	<u>7,400,184</u>	<u>5,308,940</u>
WORKING CAPITAL AT END OF YEAR	<u>\$20,348,561</u>	<u>\$21,112,106</u>

See notes to financial statements



NOTES TO FINANCIAL STATEMENTS

FOOD GIANT MARKETS, INC. AND CONSOLIDATED SUBSIDIARIES, JANUARY 29, 1967

NOTE A—PRINCIPLES OF CONSOLIDATION AND RELATED MATTERS

The consolidated financial statements include the accounts of the Company and all wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

In August, 1966, the Company received 176,316 shares of its own Common Stock in exchange for 22,000 shares of Golden Creme Farms, Inc., Common Stock. The Company's Common Stock is carried as treasury stock at the cost of the stock of Golden Creme Farms, Inc., exchanged therefor.

NOTE B—LONG-TERM DEBT

The promissory note is payable to an insurance company and is due \$725,000 annually plus interest at 5¾%. The loan agreement places certain restrictions on the amount of funded debt and on the amount of current debt from borrowings, and requires the Company to maintain consolidated working capital of not less than \$11,000,000. The agreement also provides that the Company may not pay cash dividends or acquire its own stock except out of consolidated net income as defined. At January 29, 1967, retained earnings available for these purposes was \$3,830,802.

The mortgage notes are payable \$286,115 annually including interest, and are secured by land and buildings having a cost of \$4,007,644.

NOTE C—DEFERRED FEDERAL INCOME TAXES

The Company provides for depreciation of certain items of property, plant, and equipment on the straight-line method for financial reporting purposes and on accelerated methods for income tax purposes. Accordingly, provision has been made in the financial statements for the estimated amount of federal income taxes payable in future years.

NOTE D—PREFERRED STOCK

The Preferred Stock is issuable in series under such terms and conditions as the Board of Directors may determine. The series presently outstanding may be redeemed at any time at a redemption price equal to \$10.50 a share plus dividends accrued to the redemption date, and in the event of liquidation or dissolution, is entitled to \$10 a share plus dividends accrued to the date of such liquidation or dissolution. At the option of the holder thereof, the shares are convertible into fully-paid Common Stock of the Company at the rate of three-quarters of a share of Common Stock for

each share of Preferred Stock. At January 29, 1967, a total of 251,062 shares of Common Stock was reserved for such conversion.

NOTE E—STOCK OPTIONS

The Company's stock option plan, as amended, provides that options may be granted to officers and key employees to purchase shares of the Company's unissued or reacquired Common Stock at a price of not less than 100% of the fair market value of the shares on the grant date but in no event less than \$17 a share. The options are exercisable in installments of not more than 40% of the optioned shares one year after the date of grant and an additional 30% in each of the two succeeding years but in no event may options be exercised later than five years after grant.

At January 30, 1966, options for 32,041 shares were outstanding and 74,543 shares were reserved for future grants. During the fiscal year ended January 29, 1967, no options were granted, options for 2,297 shares were exercised at an option price of \$13.39 per share, and options of 21,402 shares were canceled. At January 29, 1967, options for 8,342 shares (including 8,044 shares exercisable) at prices ranging from \$13.37 to \$15.71 a share were outstanding, and 95,945 shares were reserved for future grants. There have been no charges or credits to income with respect to the options.

NOTE F—LEASE COMMITMENTS AND CONTINGENT LIABILITY

At January 29, 1967, the Company and its subsidiaries were lessees of certain premises under 121 leases providing for aggregate minimum annual rentals of approximately \$6,150,000 through 1973, and lesser amounts thereafter to 1990. Many of these leases provide for additional rent based on sales and also provide that the lessee shall pay certain taxes, insurance, and other charges. Total rentals, less sublease rental income, amounted to approximately \$6,300,000 for the year ended January 29, 1967.

The companies also lease certain store fixtures and automotive equipment under leases which provide for annual rentals of approximately \$2,000,000 in fiscal year ending January, 1968, \$1,575,000 to 1970, and lesser amounts thereafter through 1975. Total rentals for such equipment for the year ended January 29, 1967, approximated \$2,050,000.

At January 29, 1967, the Company was contingently liable as endorser on a note receivable (remaining balance \$640,000) that had been sold. This note had been received on the sale (during 1958) of certain assets of the Company.

FOOD GIANT MARKETS, INC. AND CONSOLIDATED SUBSIDIARIES

See notes to financial statements

GIANT MARKETS, INC. AND CONSOLIDATED SUBSIDIARIES

LIABILITIES AND STOCKHOLDERS' EQUITY

	January 29, 1967	January 30, 1966
CURRENT LIABILITIES		
Trade accounts payable	\$19,691,528	\$17,322,273
Salaries, wages, and amounts withheld from employees	2,013,306	2,120,473
Federal income taxes	723,614	2,000,762
Other taxes	660,209	669,710
Current maturities on long-term debt	810,643	805,752
TOTAL CURRENT LIABILITIES	23,899,300	22,918,970
LONG-TERM DEBT—less current maturities—Note B		
Promissory note payable	8,825,000	9,550,000
Mortgage notes payable	3,305,517	3,391,159
TOTAL LONG-TERM DEBT	12,130,517	12,941,159
DEFERRED FEDERAL INCOME TAXES—Note C	752,428	777,239
STOCKHOLDERS' EQUITY		
Capital stock—Notes D and E:		
Preferred Stock, par value \$10 a share:		
4% Cumulative Convertible Preferred Stock; authorized, issued, and outstanding 1967—334,749 shares; 1966—381,131 shares	3,347,490	3,811,310
Other, not presently defined; authorized 522,510 shares, none outstanding		
Common Stock, par value \$1 a share:		
Authorized 5,000,000 shares; issued and outstanding 1967—3,348,657 shares; 1966—3,311,576 shares (including shares in treasury, 1967—390,660; 1966—126,469)	3,348,657	3,311,576
Additional capital paid in	20,713,256	20,255,800
Retained earnings—Note B	11,883,583	10,709,334
Cost of Common Stock in treasury (deduction)	(4,680,168)	(2,642,010)
TOTAL STOCKHOLDERS' EQUITY	34,612,818	35,446,010
LEASE COMMITMENTS AND CONTINGENT LIABILITY—Note F		
	\$71,395,063	\$72,083,378

See notes to financial statements

STATEMENT OF CONSOLIDATED FINANCIAL POSITION / FOOD

ASSETS

CURRENT ASSETS

	January 29, 1967	January 30, 1966
Cash	\$ 6,441,150	\$ 8,048,283
Accounts receivable, less allowances (1967—\$129,584; 1966—\$161,225) for doubtful	4,223,583	4,513,275
Merchandise inventories—generally at lower of average cost or market	32,331,267	30,325,284
Prepaid expenses	1,251,861	1,122,926
Properties under construction, subject to sale and lease-back, less interim financing		21,308
TOTAL CURRENT ASSETS	44,247,861	44,031,076

INVESTMENTS AND OTHER ASSETS

Investment in Golden Creme Farms, Inc.—at cost	2,228,270	2,121,830
Notes receivable	235,441	363,813
Land not used in operations—at cost	572,781	757,859
Liquor licenses and sundry	1,634,723	1,643,334
Trademarks, patents, and franchises—at cost less amortization	140,432	148,541
Deferred charges	1,624,878	1,194,197
TOTAL INVESTMENTS AND OTHER ASSETS	6,436,525	6,229,574

PROPERTY, PLANT, AND EQUIPMENT—on the basis of cost—Note B

Land	1,566,944	1,452,793
Buildings and improvements	3,326,617	3,380,626
Fixtures and equipment	21,962,804	21,452,762
Leaseholds and leasehold improvements	14,235,491	13,450,419
	41,091,856	39,736,600
Less allowances for depreciation and amortization	20,381,179	17,913,872
TOTAL PROPERTY, PLANT, AND EQUIPMENT	20,710,677	21,822,728
	\$71,395,063	\$72,083,378

To the Stockholders and

Board of Directors

Food Giant Markets, Inc., Santa Fe Springs, Calif.

We have examined the consolidated financial statements of Food Giant Markets, Inc. and consolidated subsidiaries for the fiscal year ended January 29, 1967. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position, stockholders' equity, and income present fairly the consolidated financial position of Food Giant Markets, Inc. and consolidated subsidiaries at January 29, 1967, and the consolidated results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Further, it is our opinion that the accompanying statement of changes in consolidated working capital presents fairly the information set forth therein.

Ernst & Ernst

Los Angeles, California, April 3, 1967



COMPARISON FOR NINE YEAR PERIOD 1958-1966

FOOD GIANT MARKETS, INC. AND CONSOLIDATED SUBSIDIARIES

	1966	1965	1964	1963	1962*	1961†	1960	1959*	1958
Net Sales	\$335,837,239	\$316,546,480	\$307,299,675	\$273,085,628	\$221,392,319	\$196,532,509	\$136,645,328	\$ 94,907,994	\$ 71,017,566
Earnings before Federal Income Tax	6,390,797	7,055,066	8,038,441	6,472,582	6,841,354	5,700,734	5,763,591	3,018,841	1,522,020
Federal Taxes on Income	2,619,505	3,050,000	3,662,054	2,867,000	3,140,000	2,689,600	2,714,000	—\$	—\$
Net Earnings	3,771,292	4,005,066	4,376,387	3,605,582*	3,701,354	3,011,134	3,049,591	3,018,841	1,522,020
Depreciation and Amortization	2,859,408	3,038,761	3,082,449	2,713,850	2,535,181	2,520,246	1,824,392	1,245,090	1,091,238
Cash Flow (Net Earnings Plus Amortization and Depreciation)	6,630,700	7,043,827	7,458,836	6,319,432	6,236,535	5,531,380	4,873,983	4,263,931	2,613,258
Earnings per Share on Common Stock‡	1.23	1.21	1.32	1.09*	1.12	.90	.98	.96	.46
Working Capital	20,348,561	21,112,106	19,335,599	15,696,233	11,395,367Δ	10,059,200Δ	8,772,145	6,958,277	10,061,397
Stockholders' Equity	34,612,818	35,446,010	32,440,143	28,134,476	25,034,575	21,427,656	19,035,211	17,431,260	14,646,290
Equity per Common Share	10.57	9.93	8.98	7.64	6.65	5.43	4.49	3.70	2.17
Common Shares Outstanding at Year End‡	2,957,997	3,185,107	3,180,640	3,170,932	3,165,901	3,113,724	2,826,742	2,777,460	2,536,568

*53-week period.

†56-week period.

‡Adjusted for stock dividends paid, three-for-two stock split, and purchases of Treasury Stock.

§Provision for Federal Taxes on Income not required due to prior year's tax loss carry over.

ΔIncludes \$835,000 in 1962 and \$1,120,000 in 1961 of net current assets reflected in balance sheet under caption "Investments and Other Assets—Investment in McDaniel's Markets."

*Before special non-recurring charge against 1963 after-tax earnings of \$348,322, equivalent to \$.12 per share.

TO OUR SHAREHOLDERS

Consolidated net sales of Food Giant Markets, Inc., for the fifty-two week period ended January 29, 1967 increased to \$335,837,239 compared with \$316,546,480 for the prior year. After tax earnings were \$3,771,292 or \$1.23 per share, based on 2,957,997 shares outstanding as at January 29, 1967. This compares with \$4,005,066 or \$1.21 per share, based upon 3,185,107 shares outstanding as at January 30, 1966.

All of your Company's divisions and subsidiaries operated profitably during the year. However, although earnings per share increased over the previous year they failed to reach Management's expectations, primarily due to inventory losses taken in our Unimart low cost distribution centers in the first half of the year and continued expenses incurred in re-designing certain of the Unimart stores.

During the year the outstanding number of shares of common stock of your Company were reduced by 227,110 shares as a result of the Company's program of purchasing its common stock from time to time, the redemption on August 31, 1966 of Food Giant common shares owned by Knudsen Creamery of California in exchange for all of the Class A common stock of Golden Creme Farms, Inc., and taking into account shares issued upon conversion of preferred stock and exercise of employee stock options. Your Company retained its interest in Class B common stock of Golden Creme Farms, Inc., representing in excess of 58% of the total outstanding Class B stock of that company.

Your Company intends to continue the policy of purchasing its common stock at such time and at such prices as it deems to be in the best interests of the Company. During the period from February 1 to March 31, 12,100 additional shares were purchased.

The Balance Sheet of Food Giant Markets, Inc., continues to show a satisfactory condition, with current assets as of January 29, 1967 of \$44,247,861 and current liabilities of \$23,899,300, reflecting a current ratio of 1.85 to 1 and working capital in excess of \$20,300,000. Stockholders' equity on a per share basis increased from \$9.93 to \$10.57. Annual cash flow from earnings and depreciation will continue to be sufficient to finance the Company's expansion program.

On March 15, 1966 your Company increased its annual cash dividend to the annual rate of 80¢ per share and during the year 1966 four quarterly dividends of 20¢ per share were paid. In addition, the regular semi-annual dividend aggregating 40¢ per share was paid on the preferred stock.

One Food Giant Supermarket, one Supermarket in the Crown Discount Store in Goleta, one Unimart and two Builders Emporium Stores were opened in 1966. During this period two Food Giant Supermarkets discontinued operations.

The Food Giant Merchandising Complex, on January 29, 1967, consisted of 69 supermarkets (Food Giant), 14 low cost distribution centers (Unimart), 14 hard goods "do it yourself" operations (Builders Emporium), 6 package liquor stores and 1 discount supermarket as mentioned above. For the current fiscal year, your Company has scheduled two Food Giants (1 in Maywood which was destroyed by fire early in 1966), one Unimart and four Builders Emporium Stores.

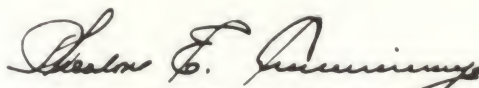
During the second half of 1966 the effectiveness of changes in personnel and installation of new operational procedures indicated improved trends which, if continued, we feel confident will enable the Unimart division in 1967 to reach improved projected earnings for the current year. The operations of Meyenberg Milk Products, Inc., a wholly owned subsidiary, and Golden Creme Farms, Inc., in which your Company owns a substantial interest, continue to operate on a satisfactory basis.

Additions and changes in Executive Management during the year included the appointment of Mr. Carl D. Flinn, formerly President of Arden-Mayfair, Inc., as President of the Supermarket Division. Mr. Flinn replaced Mr. D. Barrett Kane who retired January 2. Mr. Bruce J. Campbell assumed the responsibilities of Vice President of Administration in addition to his other duties as Vice President of Finance and Treasurer of the Corporation. Mr. Francis W. Danielson became Secretary of the Corporation in addition to his other duties as Vice President. Mr. Frank V. Bianchini was appointed to the position of Corporate Controller and named an officer of the Corporation.

Your Management looks forward to the year 1967 as a period of more effective operation which should result in higher levels of sales and profits during this fiscal period. The enthusiasm and loyalty of our increasing number of employees and suppliers, and the continued support of our shareholders and customers are significant factors supporting the accomplishment of our fiscal 1967 objectives.



HAROLD L. FIERMAN, Chairman of the Board



THEODORE E. CUMMINGS, President

DIRECTORS THEODORE E. CUMMINGS*
J. HOWARD EDGERTON*
HAROLD L. FIERMAN*
LAWRENCE A. HARVEY
RAY L. HOMMES
J. BRADFORD WHARTON, JR.

**Members of the Executive Committee*

OFFICERS HAROLD L. FIERMAN, *Chairman of the Board*
THEODORE E. CUMMINGS, *President and Chairman of the Executive Committee*
BRUCE J. CAMPBELL, *Vice President—Finance and Administration and Treasurer*
FRANCIS W. DANIELSON, *Vice President and Secretary*
CARL D. FLINN, *Vice President*
FRANK V. BIANCHINI, *Controller*

TRANSFER AGENTS *Marine Midland Grace Trust Company of New York, N. Y.*
The Corporation Trust Company of Jersey City, N. J.

REGISTRAR *Chemical Bank New York Trust Company, New York, N. Y.*

AUDITORS *Ernst & Ernst*

COUNSEL *Kaye, Scholer, Fierman, Hays & Handler, New York, N. Y.*
Tyre & Kamins, Beverly Hills, California

FOOD GIANT MARKETS, INC. *Principal Office: 12500 East Slauson Avenue / Santa Fe Springs, California*

FOOD GIANT MARKETS, INC.

FOOD GIANT GRANADA HILLS BUILDERS EMPORIUM THOUSAND OAKS
UNIMART OXNARD FOOD GIANT SAN FERNANDO BUILDERS EMPORIUM
RIVERSIDE UNIMART LONG BEACH FOOD GIANT SUN VALLEY BUILDERS
EMPORIUM SIMI UNIMART BURBANK FOOD GIANT BEVERLY HILLS
UNIMART NORTHRIDGE BUILDERS EMPORIUM VAN NUYS FOOD GIANT
WESTMINSTER BUILDERS EMPORIUM LA CRESCENTA UNIMART POMONA
FOOD GIANT CANOGA PARK BUILDERS EMPORIUM COVINA UNIMART
CULVER CITY FOOD GIANT SUN VALLEY BUILDERS EMPORIUM TUSTIN
UNIMART ALHAMBRA FOOD GIANT GLENDALE BUILDERS EMPORIUM
EAST LOS ANGELES UNIMART LA MIRADA FOOD GIANT SAN PEDRO
BUILDERS EMPORIUM LADERA HEIGHTS UNIMART MANHATTAN BEACH
FOOD GIANT STUDIO CITY BUILDERS EMPORIUM
COVINA UNIMART GIANT EL MONTE
BUILDERS EMPORIUM WALK FOOD GIANT
BUENA PARK BUILDERS EMPORIUM FULLERTON UNIMART SAN DIEGO
FOOD GIANT FLORENCE BUILDERS EMPORIUM BUENA PARK UNIMART
SAN MATEO FOOD GIANT INGLEWOOD BUILDERS EMPORIUM FULLERTON
UNIMART CHULA VISTA FOOD GIANT SANTA ANA BUILDERS EMPORIUM
COVINA UNIMART EL CAJON FOOD GIANT FONTANA BUILDERS
EMPORIUM THOUSAND OAKS UNIMART OXNARD FOOD GIANT LA CRESCENTA
BUILDERS EMPORIUM EAST LOS ANGELES UNIMART CULVER CITY
FOOD GIANT HOLLYWOOD BUILDERS EMPORIUM UNIMART POMONA
FOOD GIANT PICO RIVERA BUILDERS EMPORIUM SAN ANA HILLS

annual report 1966

